GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

UNSTARRED QUESTION NO:3458
ANSWERED ON:18.04.2005
PRICES OF ESSENTIAL CONTROLLED AND DECONTROLLED MEDICINES
Chowdhury Shri Adhir Ranjan

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) the ex-factory price of essential controlled and decontrolled medicines at which excise duty is paid vis-a-vis Maximum Retail Price (MRP) marked on the packing;and

(b) the steps taken to reduce the trade margins of these medicines and fix prices both for controlled and decontrolled medicines as per norms fixed under Drug Price Control Order?

Answer

THE MINISTER OF CHEMICALS AND FERTILIZERS & MINISTER OF STEEL (SHRI RAM VILAS PASWAN)

(a) & (b): In accordance with Notification No. 2/2005-Central Excise (NT) dated the 7th January, 2005 read with Notification No. 4/2005-Central Excise (NT) dated the 23rd February, 2005 of Department of Revenue, Ministry of Finance, excise duty is being levied, wherever chargeable, on the basis of retail price of medicines after granting an abatement of 40% of retail price. This is likely to have an impact on the profit and trade margins for various drugs.

Presently 74 bulk drugs specified in the First Schedule of the Drugs (Prices Control) Order, 1995 (DPCO, 95) and the formulations based thereon are under price control and their prices are fixed/revised by the National Pharmaceutical Pricing Authority (NPPA) in accordance with the provisions of the DPCO, 95.

Prices of non-Scheduled formulations are fixed by the manufacturers themselves keeping in view the various factors like cost of production, marketing/selling expenses, R&D expenses, trade commission, market competition, product innovation, product quality etc. The Government takes corrective measures where the public interest is found to be adversely affected.

A Committee under the Chairmanship of Joint Secretary (PI) was constituted to examine toe span of price control (including trade margin) in the light of National Common Minimum Programme and the observations of the Supreme Court in SLP NO, 3668/2003 ard to suggest measures for fulfilling the objective of National Common Minimum Programme to ensure the availability of life saving drugs at reasonable prices. This Committee has submitted its interim report to the Government. The Committee has recommended, inter-alia, intensive monitoring on the prices of all those drugs out of the selected basket (National List of Essential Medicines, 2003) which are not under price control, ceilings on trade margins of drugs, a system of price negotiations for the new patented drugs, special schemes for people below poverty line, introduction of Rajasthan Model of Life Line Fluid Stores (hospital pharmacy stores run by Medicare Societies) for bulk purchase of drugs directly from manufacturer and selling them at reduced prices, compounding of offences under the Essential Commodities Act, establishment of DPCO cells in all States on the model of Karnataka etc.. efforts to increase public awareness, wide publicity to policies and decisions of the Government and NPPA etc.

A Task Force has also been constituted under the Chairmanship of the Principal Adviser(PP), Planning Commission to explore various options other than price control for achieving the objective of making available life saving drugs at reasonable prices.